

FIRST REGULAR SESSION

# SENATE JOINT RESOLUTION NO. 1

96TH GENERAL ASSEMBLY

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INTRODUCED BY SENATOR RIDGEWAY.

Pre-filed December 1, 2010, and ordered printed.

TERRY L. SPIELER, Secretary.

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## JOINT RESOLUTION

Submitting to the qualified voters of Missouri, an amendment repealing section 4(d) of article X of the Constitution of Missouri, and adopting one new section in lieu thereof relating to the revenue-neutral replacement of all taxes on income with an amended sales and use tax.

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*Be it resolved by the Senate, the House of Representatives concurring therein:*

That at the next general election to be held in the state of Missouri, on  
2 Tuesday next following the first Monday in November, 2012, or at a special  
3 election to be called by the governor for that purpose, there is hereby submitted  
4 to the qualified voters of this state, for adoption or rejection, the following  
5 amendment to article X of the Constitution of the state of Missouri:

Section A. Section 4(d), article X, Constitution of Missouri, is repealed and  
2 one new section adopted in lieu thereof, to be known as section 4(d), to read as  
3 follows:

4 Section 4(d). 1. In enacting any law imposing a tax on or measured by  
5 income, the general assembly may define income by reference to provisions of the  
6 laws of the United States as they may or become effective at any time or from  
7 time to time, whether retrospective or prospective in their operation. The general  
8 assembly shall in any such law set the rate or rates of such tax. The general  
9 assembly may in so defining income make exceptions, additions, or modifications  
10 to any provisions of the laws of the United States so referred to and for  
11 retrospective exceptions or modifications to those provisions which are  
12 retrospective.

13 **2. For all tax years beginning on or after January 1, 2013, no tax**  
14 **shall be imposed upon any income derived from any source within this**  
15 **state, and all revenues lost as a result of the prohibition on the taxation**  
16 **of income under this section shall be replaced by the levy and**

17 imposition of a tax upon the consumption or use in this state of taxable  
18 property or services. Taxable property or services shall mean any  
19 property (including leaseholds of any term or rents with respect to  
20 such property but excluding intangible personal property and used  
21 property) and any service consumed or used in this state, except for  
22 such property purchased to be a component part or ingredient of the  
23 new tangible personal property to be sold at retail. No tax shall be  
24 imposed under this section on any taxable property or service  
25 purchased for a business purpose in a trade or business, including  
26 agriculture, or purchased for an investment purpose and held  
27 exclusively for an investment purpose. For purposes of this section, the  
28 term "purchased for a business purpose in a trade or business" shall  
29 mean purchased by a person engaged in a trade or business and used  
30 in that trade or business for resale, to produce, provide, render, or sell  
31 taxable property or services, or in furtherance of other bona fide  
32 business purposes. For purposes of this section, the term "purchased  
33 for an investment purpose" shall mean property purchased exclusively  
34 for purposes of appreciation or the production of income, and tuition  
35 and fees paid to an accredited institution of higher education for  
36 educational services. All sales tax exemptions in place as of the  
37 effective date of this section exempting purchases other than the  
38 purchases enumerated in this article shall be void.

39           3. The rate of the tax levied and imposed under subsection 2 of  
40 this section shall be five and eleven one-hundredths percent. As may  
41 be recommended by the tax adjustment commission established by  
42 subsection 8 of this section, the general assembly may enact one rate  
43 adjustment, to be effective no later than the beginning of fiscal year  
44 2014, after the imposition of such tax if the revenue lost as a result of  
45 the prohibition on the taxation of income is greater than or less than  
46 the revenue received from the tax imposed in this  
47 section. Notwithstanding the limitation on total state revenues as  
48 provided in article X, section 18 of this constitution, such adjustment  
49 shall be calculated to ensure that the amount of revenue received is  
50 substantially equal to the amount of revenue that would have been  
51 generated by the taxes repealed under this section averaged over the  
52 three immediately preceding fiscal years. Local political subdivisions  
53 shall recalculate their local tax rates, including local tax revenue to be

54 deposited in the school district trust fund, affected by this section to  
55 produce the same or substantially similar revenue as collected in the  
56 immediately previous fiscal year. The general assembly may provide  
57 by law for determining the scope of taxable services and for otherwise  
58 implementing the provisions of this section. Exemptions from such tax  
59 may be provided by law upon an affirmative vote of at least two-thirds  
60 of the elected members of both chambers and approval by the governor.

61 4. Notwithstanding the provisions of sections 43(a) and 47(a) of  
62 article IV of this constitution, the rates of tax levied and imposed under  
63 those sections shall undergo a one-time recalculation, taking into  
64 account any adjustment in the tax base. This recalculation shall  
65 determine the new rates that would produce an amount of revenue for  
66 the fiscal year of recalculation substantially equal to the amount  
67 actually received in the year of recalculation under the prior rate  
68 described in those sections of the constitution. These new tax rates  
69 shall be recalculated in this same manner should the rate of tax levied  
70 under section 4(d) of article X of this constitution be readjusted.

71 5. The taxes that are replaced under this section are as follows:  
72 (1) Withholding taxes and individual and corporate income taxes;  
73 (2) Corporation franchise and bank franchise taxes;  
74 (3) All existing state sales and use taxes;  
75 (4) All local earnings taxes authorized by state law.

76 6. The department of revenue shall determine a method for  
77 providing a sales tax rebate for each duly registered qualified  
78 household of this state. The sales tax rebate shall be distributed to  
79 each qualified household beginning January 1, 2013. The monthly  
80 amount of the rebate shall be equal to the product of the rate of sales  
81 tax established under this section and one-twelfth of the annual  
82 poverty guidelines updated periodically in the Federal Register by the  
83 United States Department of Health and Human Services under the  
84 authority of 42 U.S.C. Section 9902(2), as amended.

85 7. The department of revenue shall promulgate rules as  
86 otherwise provided by law to implement the provisions of this section.

87 8. There is hereby created a "Tax Adjustment Commission",  
88 whose members shall be the governor, or his or her designee, the chair  
89 of the house budget committee, and the chair of the senate  
90 appropriations committee. The purpose of the tax adjustment

91 commission shall be to recommend a one-time adjustment to the rate of  
92 tax established in subsection 3 of this section. The commission shall  
93 meet prior to January 1, 2014, to conduct studies of a tax rate  
94 adjustment which would provide an amount substantially equal to the  
95 amount of revenue that would have been generated by the taxes  
96 repealed under this section in fiscal year 2012. The tax rate adjustment  
97 shall only be recommended to the general assembly upon unanimous  
98 vote of the commission. If the general assembly is not in regular or  
99 special session at the time the commission's recommendation is  
100 received, the general assembly shall automatically convene in special  
101 session within fourteen days of receipt of the recommendation. A  
102 concurrent resolution, not subject to substantive amendment in either  
103 chamber, shall be introduced in the house of representatives for  
104 approval or rejection. If approved, the concurrent resolution shall be  
105 considered by the senate for approval or rejection. If approved by both  
106 chambers, the concurrent resolution shall be presented to the governor,  
107 and, within fourteen days of such presentment, the governor shall  
108 return the concurrent resolution to the house of representatives  
109 endorsed with his or her approval or accompanied by his or her  
110 objections. If the concurrent resolution is approved by the governor,  
111 the tax rate adjustment shall become effective at the beginning of the  
112 following calendar quarter. If the concurrent resolution is not  
113 approved by the governor, the general assembly shall automatically  
114 convene in special session within fourteen days of such disapproval to  
115 reconsider the resolution as otherwise provided in section 32 of article  
116 III of this constitution. If the concurrent resolution is approved by a  
117 two-third majority in each chamber, the tax rate adjustment shall  
118 become effective at the beginning of the following calendar quarter.

119       9. The revisor of statutes, in conjunction with the department of  
120 revenue, the state tax commission, and other tax-related agencies and  
121 departments, shall prepare and submit to the committee on legislative  
122 research a proposed bill repealing those provisions of law which are  
123 deemed unenforceable or unnecessary under the provisions of this  
124 section.

125       10. The provisions of this section are severable. If any provision  
126 of this section is found by a court of competent jurisdiction to be  
127 unconstitutional, the remaining provisions are valid except to the

128 **extent that the court finds that the valid provisions, standing alone, are**  
129 **incomplete and are incapable of being executed in accordance with the**  
130 **will of the people.**

Section B. Pursuant to chapter 116, RSMo, and other applicable  
2 constitutional provisions and laws of this state allowing the general assembly to  
3 adopt ballot language for the submission of a joint resolution to the voters of this  
4 state, the official ballot title of the amendment proposed in section A of this act  
5 shall read as follows:

6 "Shall the Constitution of the State of Missouri be amended to  
7 eliminate individual and corporate income tax, and state sales and  
8 use tax and to enact a single, revenue-neutral sales tax on new  
9 purchases of goods and services, and to exempt property purchased  
10 for business or investment from the sales tax?".

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Bill

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